

Message Text

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UNCLAS SECTION 1 OF 2 MONTREAL 648

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SUBJECT: ASBESTOS UPDATE

REF: MONTREAL 134;77 MONTREAL 1973

BEGIN SUMMARY: QUEBEC'S ASBESTOS LEGISLATION IS BEING OPPOSED WITH FILIBUSTER IN NATIONAL ASSEMBLY AND FINAL PASSAGE IS NOT EXPECTED BEFORE EARLY JUNE. GOVERNMENT REMAINS OPTIMISTIC ABOUT POTENTIAL FOR ASBESTOS INDUSTRY, ALTHOUGH IT HAS SCALED DOWN ITS EARLIER ESTIMATES ON POTENTIAL JOB CREATION. GROWING ENVIRONMENTAL CONCERNS IN BOTH EUROPE AND US WILL CAUSE PROBLEMS. GOVERNMENT REPORT CONFIRMS EARLIER INFORMATION THAT SOME OPERATIONS OF ASBESTOS CORP. FALL FAR SHORT OF HEALTH STANDARDS. NEGOTIATIONS BETWEEN GOVERNMENT AND GENERAL DYNAMICS HAVE NOT YET BEGUN, AS FINANCIAL CONSULTANTS ARE STILL IN PROCESS OF DETERMINING VALUATIONS. GOVERNMENT HAS SAID LEGISLATION AUTHORIZING EXPROPRIATION WILL BE INTRODUCED IF NEGOTIATIONS ARE NOT COMPLETED BY EARLY FALL, BUT COMPANIES TEND TO DISCOUNT THIS POSSIBILITY, AS MOST FEEL GOVERNMENT WILL CONSIDER EXPROPRIATION ONLY AS LAST DESPERATE OPTION. END SUMMARY.

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1. LEGISLATIVE STATUS

SINCE BEGINNING ITS 1978 SESSION FEBRUARY 21, QUEBEC'S NATIONAL ASSEMBLY HAS DONE LITTLE ELSE BUT STRUGGLE WITH BILL 70, THE PQ'S PROPOSED LEGISLATION (REF 2) WHICH WOULD AUTHORIZE PURCHASE OF GENERAL DYNAMIC'S 54 PERCENT OWNERSHIP OF ASBESTOS CORP AND WHICH WOULD LAY THE GROUNDWORK FOR THE PROVINCIAL GOVERNMENT'S ENTRY

INTO THE ASBESTOS INDUSTRY. THE PQ IS COMMITTED, CONSIDERS BILL 70 ESSENTIAL, AND REFUSES TO CONSIDER ANY CONCESSIONS. THE OPPOSITION, BOTH THE LIBERALS AND THE UNION NATIONAL, SEEING A CHANCE TO MAKE POLITICAL HAY, ARE VIGOROUSLY OPPOSING BILL 70, AND HAVE RESORTED TO FILIBUSTERS TO DELAY PASSAGE.

2. UNDER RULES OF QUEBEC'S NATIONAL ASSEMBLY, BILL 70 IS NOW CONSIDERED TO BE IN PARLIAMENTARY COMMISSION, WHICH ENTAILS ARTICLE BY ARTICLE DISCUSSION, BEFORE PASSAGE TO THIRD AND FINAL READING IN NATIONAL ASSEMBLY. AS BILL 70 CONTAINS 25 ARTICLES AND AS PARLIAMENTARY RULES PERMIT ALMOST ENDLESS DEBATE ON EACH ARTICLE, DELIBERATIONS ON BILL 70 COULD CONTINUE FOR SOME TIME. BEST BET NOW BY INFORMED SOURCES IN QUEBEC GOVERNMENT IS THAT FINAL PASSAGE OF BILL IN NATIONAL ASSEMBLY WILL NOT OCCUR BEFORE MID-MAY AT EARLIEST - WITH EARLY JUNE MORE LIKELY. WHAT THE OPPOSITION WOULD LIKE TO DO IS FORCE PQ TO INVOKE CLOTURE, AS IT DID WHEN IT TERMINATED DISCUSSION ON BILLS AUTHORIZING QUEBEC'S LANGUAGE LEGISLATION AND ESTABLISHING QUEBEC'S NO FAULT AUTO INSURANCE SCHEME. PQ, HOWEVER, RECOGNIZES POLITICAL LIABILITIES THAT WOULD ATTEND CLOTURE ON AN ISSUE AS CONTROVERSIAL AS QUEBEC'S ASBESTOS POLICY, WHICH IS LIKELY TO END UP COSTING QUEBEC'S TAX-PAYERS A LOT OF MONEY, AND HAS APPARENTLY DECIDED TO STICK THIS ONE OUT.

3. OPPOSITION POSITION

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OPPOSITIONS BASIC ARGUMENT IS THAT TAKEOVER OF ASBESTOS CORP IS NOT THE BEST WAY TO ACCOMPLISH THE PQ'S OBJECTIVE OF EXPANDING JOB OPPORTUNITIES BY INCREASING AMOUNT OF PROCESSING DONE IN THE PROVINCE, AND OBJECTIVE WHICH IS SHARED BY BOTH THE LIBERALS AND UNION NATIONAL. OPPOSITION POINTS OUT THAT ACQUISITION OF ASBESTOS CORP COULD COST ANYWHERE FROM DOLS 80 MILLION TO DOLS 250 MILLION, DEPENDING ON AGREED PRICE AND WHETHER ALL OUTSTANDING SHARES ARE PURCHASED, WITHOUT CREATING A SINGLE JOB. MONEY MIGHT BETTER BE SPENT, THEY SAY, BY PROVIDING INCENTIVES AND POLICIES TO PROMOTE DIRECTLY ESTABLISHMENT OF PROCESSING FACILITIES. MOREOVER, OWNERSHIP BY THE GOVERNMENT IS SEEN AS A BIG STEP DOWN ROAD TO SOCIALISM, WITH GOVERNMENT'S ENDEAVORS IN ASBESTOS FIELD LIKELY TO BE NO MORE SUCCESSFUL THAN THEY WERE IN STEEL, WHERE GOVERNMENT CONTROLLED SIDBEC HAS FLOUNDERED.

4. PUBLIC OPINION

AT LEAST ONE POLL SUGGESTS THAT QUEBECKERS ARE NERVOUS ABOUT THE PQ'S ATTEMPT TO ENTER ASBESTOS INDUSTRY. - SURVEY CONDUCTED LAST FALL BY CENTRE DE RECHERCHE SUR L'OPINION PUBLIQUE (CROP) REPORTED THAT 58 PERCENT OF QUEBECKERS RESPONDING BELIEVED THAT GOVERNMENT SHOULD LEAVE INITIATIVE FOR DEVELOPING ASBESTOS

INDUSTRY TO PRIVATE COMPANIES, OR GRANT THEM SUBSIDIES TO DEVELOP FURTHER PROCESSING. LARGER NUMBER OF RESPONDENTS IN ASBESTOS PRODUCING AREAS TENDED TO OPPOSE GOVERNMENT PROGRAM THAN WAS TRUE FOR GENERAL POPULACE. ON OTHER HAND, RECENT PRESENTATIONS AT THE HEARINGS IN QUEBEC SEEM TO SHOW STRONG SUPPORT FOR THE POLICY ON PART OF LABORERS AND INHABITANTS OF REGIONS WHERE MAJOR ASBESTOS MINING ACTIVITY IF LOCATED, PERHAPS REFLECTING VIGOROUS EFFORTS IN THOSE REGIONS BY PQ AND MINISTER BERUBE TO PROMOTE GOVERNMENT'S POLICY.

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5. ATMOSPHERICS

EVEN THOUGH PQ EASILY HAS THE VOTES TO ENSURE PASSAGE OF BILL 70, ONCE FILIBUSTER BARRIER IS PASSED, THOSE OPPOSING THE POLICY HAVE RECENTLY BEEN GIVEN A LOT OF AMMUNITION. AS WE REPORTED EARLIER, (REF 1) A STUDY COMMISSINED BY QUEBEC MINING ASSOCIATION AND CARRIED OUT UNDER STEWARDSHIP OF ARTHUR D. LITTLE CONCLUDED THAT POTENTIAL FOR INCREASED PROCESSING OF ASBESTOS IN QUEBEC WAS LIMITED, WITH INCREASE IN EMPLOYMENT OPPORTUNITIES LIMITED TO 400 NEW JOBS BY 1982. PQ'S ORIGINAL TARGET WAS 15,000 NEW JOBS OVER TEN YEAR PERIOD. GOVERNMENT HAS SUBSEQUENTLY BACKTRACKED. A STUDY GROUP WORKING UNDER NATURAL RESOURCES MINISTER YVES BERUBE RECENTLY CONDLUDED THAT IT WAS REASONABLE TO EXPECT AN INCREASE OF FROM 1500 TO 2000 JOBS IN ASBESTOS PROCESSING OVER NEXT TEN YEARS, ENTALING ESTABLISHMENT OF 10 TO 15 NEW FACTORIES, WITH INVESTMENT TOTTALLING BETWEEN DOLS 70-100 MILLION. PROSPECTS FOR INCREASED USE OF ASBESTOS FIBERS OVER NEXT TEN YEARS, ACCORDING TO BERUBE, ARE EXCELLENT.

6. BERUBE'S OPTIMISM MUST BE VIEWED WITH SOME SKEPTICISM IF ACCOUNT IS TAKEN OF GROWING ENVIRONMENTAL CONCERNS ABOUT ASBESTOS IN BOTH EUROPE AND US. EUROPEAN PARLIAMENT HAS RECENTLY ISSUED UNCLASSIFIED

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REPORT RECOMMENDING REDUCTION, AND IN SOME CASES, A BAN IN USE OF ASBESTOS FIBERS. CURRENTLY, ABOUT 30 PERCENT OF QUEBEC'S EXPORTS OF ASBESTOS GO TO EUROPE. FURTHER CONCERN ABOUT ECONOMICS OF QUEBEC'S PROPOSED TAKEOVER OF ASBESTOS CORP WAS CAUSED BY RELEASE OF REPORT SHOWING THAT DUST CONDITIONS IN ASBESTOS CORP'S BLACK LAKE MINE WERE AMONG WORST IN INDUSTRY, WITH ASBESTOS CONCENTRATIONS TEN TO TWENTY TIMES MAXIMUM PERMITTED. WE HAD EARLIER REPORTED COMMENTS OF SOURCES IN INDUSTRY WHO SAID THAT OPERATIONS OF ASBESTOS CORP WERE "FILTHY". THIS MEANS THAT GOVERNMENT, ONCE IT ACQUIRES CONTROL OF ASBESTOS CORP, WILL BE FACED WITH VERY LARGE CAPITAL EXPENDITURES TO BRING FACILITIES UP TO ACCEPTABLE HEALTH AND ENVIRONMENTAL STANDARDS.

7. SITUATION IN QUEBEC HAS BEEN FURTHER CONFUSED BY ORDER OF U.S. FEDERAL TRADE COMMISSION, UNDER U.S. ANTI-TRUST LAW, FORCING JIM WALTER CORP TO DIVEST ITSELF OF ITS CAREY ASBESTOS MINE IN QUEBEC WITHIN ONE YEAR OF ORDER'S COMING INTO EFFECT. JIM WALTER CORP HAS ANNOUNCED THAT IT WILL APPEAL THE RULING AND GO TO COURT IF APPEAL FAILS. FINAL SETTLEMENT COULD THEREFORE BE DELAYED FOR SOME TIME.

8. NEGOTIATIONS ON TAKE-OVER

NEGOTIATIONS BETWEEN GENERAL DYNAMICS AND QUEBEC GOVERNMENT HAVE NOT YET BEGUN, AS RESPECTIVE CONSULTANTS LAZARD FRERES AND KIDDER PEABODY, ARE STILL IN PROCESS OF DETERMINING VALUATIONS. WHILE COMPANIES ARE KEEPING TIGHT LID ON PROGRESS, WE ARE INFORMED THAT LAZARD FRERES HAS ALMOST FINISHED ITS WORK, WHILE KIDDER PEABODY IS SOMEWHAT BEHIND, WITH ANALYSTS STILL STOMPING AROUND THETFORD MINES AREA, AND IS NOT EXPECTED TO FINISH BEFORE LATE MAY OR EARLY JUNE. QUEBEC GOVERNMENT HAS SAID THAT NEGOTIATIONS SHOULD NOT BE LENGTHY, ONCE CONSULTANTS HAVE FINISHED THEIR WORK.

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9. ASBESTOS CORP OFFICIALS ARE NOT SO OPTIMISTIC, EXPECTING GENERAL DYNAMICS TO DIG IN ITS HEELS. FOR ITS PART, GOVERNMENT OF QUEBEC HAS SAID THAT IT WOULD PROPOSE EXPROPRIATION OF ASBESTOS CORP SHOULD NEGOTIATIONS NOT WORK OUT. NATURAL RESOURCES MINISTER BERUBE HAS SET BEGINNING OF AUTUMN AS DEADLINE FOR COMPLETION OF NEGOTIATIONS. REPRESENTATIVES OF ASBESTOS CORP VIEW BERUBE

STATEMENT AS SABER RATTLING, AS THEY ARE CONVINCED GOVERNMENT
WILL RESORT TO EXPROPRIATION ONLY AS LAST DESPERATE OPTION.
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